

The purpose of a shop agreement is to regulate specific matters that concern the collective interests of the employees. They are binding for both management and the works council under the modified German Personnel Representation Law (GPRL) to the extent that the regulated matters are not already regulated by a legal or tariff provision or are normally regulated by a tariff agreement.

By means of a shop agreement, the provisions of a law or of a tariff agreement can be adjusted to accommodate specific needs of an organization. However, this option is limited to the extent that shop agreements may not be concluded:

- If wage-earnings and other employment conditions are already regulated by a tariff agreement, or are commonly regulated by a tariff agreement, or even
- If there is no tariff agreement or if an existing tariff agreement does not regulate these matters.

Shop agreements are only authorized in matters explicitly provided for in the GPRL. Otherwise, shop agreements are legally invalid.

GPRL authorizes shop agreements only in those matters provided for in sections 75, paragraph 3, numbers 1 through 17 (except 13), and 76, paragraph 2, numbers 6, 8, and 9.

Individual matters cannot be regulated by a shop agreement. Rather, shop agreements must contain collective (i.e., general) long-term regulatory provisions.

Shop agreements are considered public law. The individual regulations and provisions affect the employment conditions of concerned employees like legal or tariff provisions.